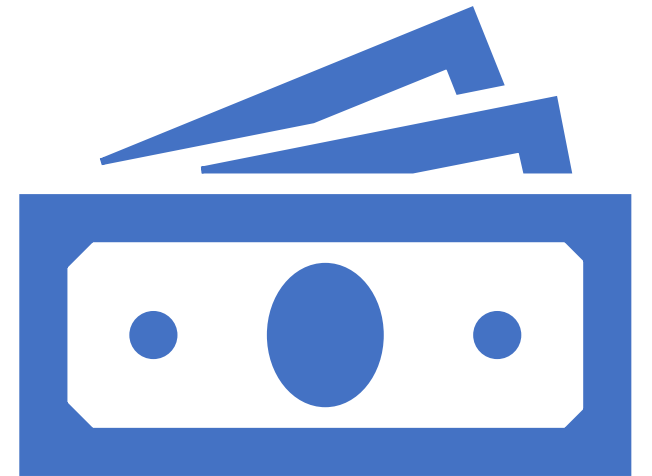


Acquiring Two REITs: Medical Properties Trust and Hannon Armstrong Sustainable Infrastructure

David Toms

June 21, 2023

OLLI Investment Forum



MPW Profile

- Medical Properties Trust, Inc. is a **self-advised** real estate investment trust formed in 2003 to acquire and develop net-leased hospital facilities.
- From its inception in Birmingham, Alabama, the Company has grown to become one of the world's largest owners of hospital **real estate with 444 facilities and approximately 44,000 licensed beds** in ten countries and across four continents.
- MPT's financing model facilitates acquisitions and recapitalizations and allows operators of hospitals to unlock the value of their real estate assets to fund facility improvements, technology upgrades and other investments in operations.

Medical Properties Trust (MPW)

Medical Properties Trust, Inc. (MPW)

NYSE - NYSE Delayed Price. Currency in USD

★ Following

Visitors trend 2W ↓ 10W ↑ 9M ↑

9.18 +0.06 (+0.66%) **9.16** -0.02 (-0.22%)

At close: June 16 04:00PM EDT

After hours: Jun 16, 07:59PM EDT

Summary Company Insights Y+ Chart Conversations Statistics Historical Data Profile Financials Analysis Options Holders

Previous Close	9.12	Market Cap	5.492B
Open	9.06	Beta (5Y Monthly)	0.98
Bid	9.10 x 4000	PE Ratio (TTM)	18.36
Ask	9.21 x 3000	EPS (TTM)	0.50
Day's Range	9.02 - 9.23	Earnings Date	Aug 01, 2023 - Aug 07, 2023
52 Week Range	7.10 - 17.36	Forward Dividend & Yield	1.16 (12.64%)
Volume	13,230,749	Ex-Dividend Date	Jun 14, 2023
Avg. Volume	14,235,531	1y Target Est	12.00

Fair Value ? Y+

XX.XX

37% Est. Return

[View details](#)

Undervalued



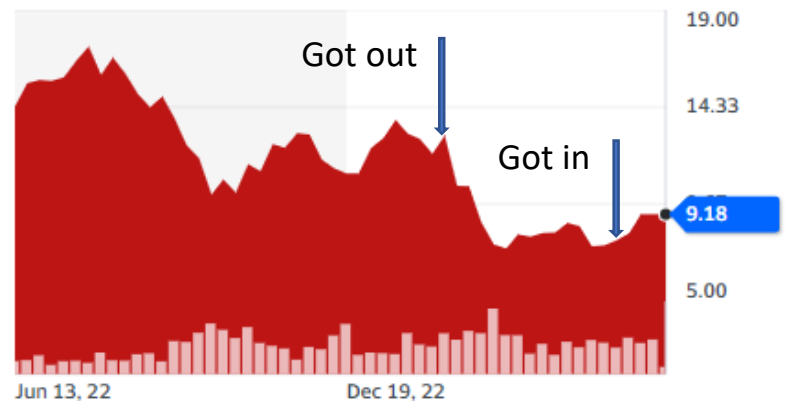
Related Research ? Y+

MPW: Lowering target price to \$11.00MEDICAL PROPERTIES TRUST...

5 days ago • Argus Research

[View more](#)

1D 5D 1M 6M YTD 1Y 5Y Max [Full screen](#)



[Swi](#)
[Pho](#)
[Auc](#)
[Lea](#)
[AD](#)

Chart Events ? Y+

Bullish pattern detected

Double Moving Average Crossover

[View all chart patterns](#)

Performance Outlook

Short Term 2W - 6W	Mid Term 6W - 9M	Long Term 9M+
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Dividend unsafe?

Source: Simply Safe Dividends

MPW

Real Estate • Health Care REITs

Medical Properties Trust

Dividend Yield

12.64%



Non-Qualified Dividends ?

Dividend Safety

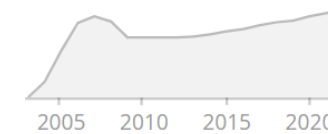
40

Unsafe

Dividend Growth

0% since Feb '22

Very Slow



Price

\$9.18 ▲ 0.7%

Fri, Jun 16

Market Cap

\$5.49 billion

Mid Cap

Beta

0.95

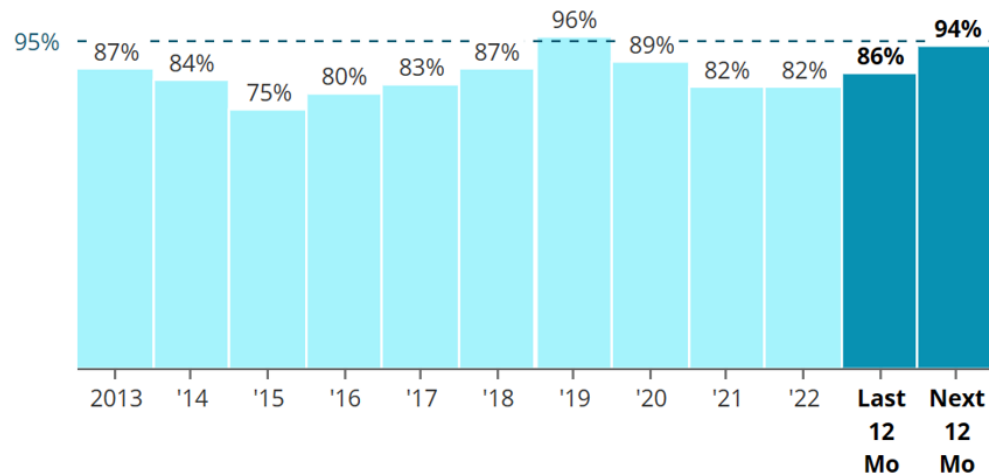
Average

Payout ratio = Funds Paid Out / Funds Available

Source: Simply Safe Dividends

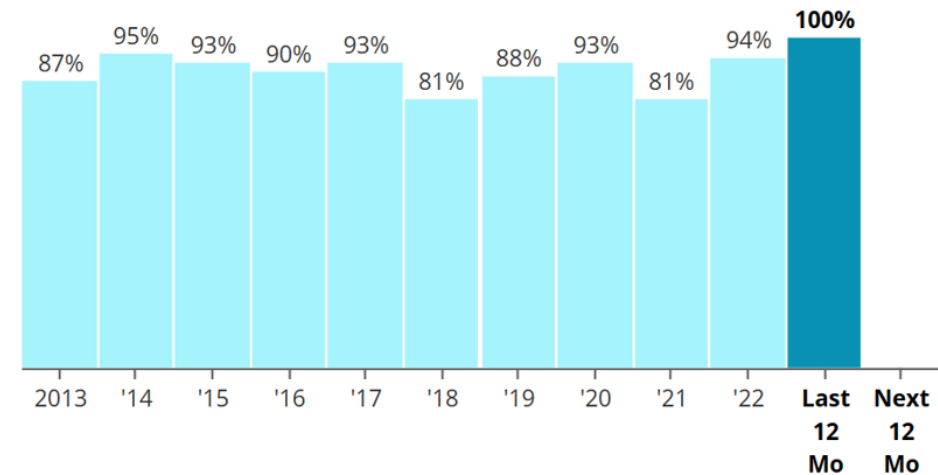
Adjusted FFO Payout Ratio

Percentage of adjusted funds from operations (similar to free cash flow for REITs) paid out as a dividend. Firms with quality tenants can reasonably maintain higher payout ratios given the non-cyclical nature of this industry. **Below 95% is our preference** for medical building REITs.



Free Cash Flow Payout Ratio

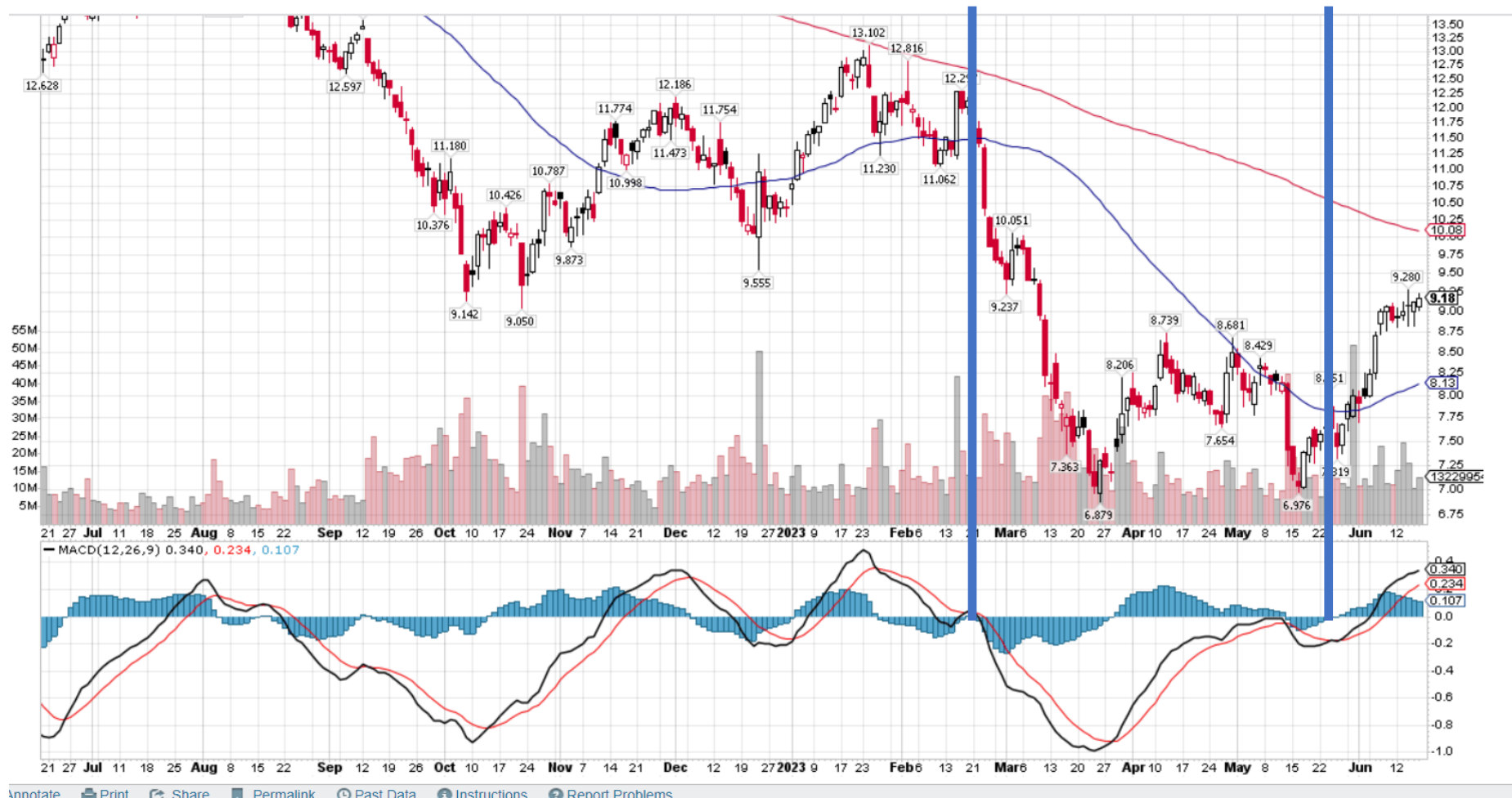
A REIT's adjusted funds from operations payout ratio is usually better to review than free cash flow to understand a REIT's ability to pay dividends. Free cash flow can be noisier and more volatile due to issues such as upfront rent payments, maintenance expenses, and deferred financing costs.



MACD technical alerts from StockCharts.com:

Sell alert in mid-Feb

Buy alert in late May



Outside Influences

- Short seller, Viceroy, published a very negative report on MPW, March 3, 2023
 - “Den of thieves”
 - Viceroy being sued for market manipulation
- Short interest = 120M shares (20%). That’s a LOT!
 - Possible short squeeze is in the offing
- All REITs suffering right now with high interest rates – good time to buy selectively
- Hospitals in general are suffering – post pandemic effects
- We’re near the top of Fed raises

SA Analysts Rating

BUY

4.07

13 Authors in the Last 30 Days

● Strong Buy:	5
● Buy:	5
● Hold:	2
● Sell:	1
● Strong Sell:	0



MPW Valuation

Source: Seeking Alpha

FFO = funds from operations, true cash flow from a REIT.

	Sector Relative Grade	MPW	Sector Median	% Diff. to Sector
P/E Non-GAAP (TTM)	A+	7.54	27.12	-72.20%
P/E Non-GAAP (FWD)	-	-	32.00	-
EV / EBITDA (TTM)	A-	11.69	17.13	-31.73%
EV / EBIT (TTM)	A+	15.75	34.08	-53.79%
Price / Sales (TTM)	B-	3.59	4.60	-21.83%
Price / Book (TTM)	A	0.65	1.42	-54.30%
Price / Cash Flow (TTM)	B+	7.90	11.98	-34.04%
Price / Rental Revenue (TTM)	B-	4.76	5.46	-12.82%
Dividend Yield (TTM)	A	9.48%	4.59%	106.60%
Total Debt/Equity (TTM)	C-	123.63%	91.59%	34.98%
4 Year Average Dividend Yield	A-	6.28%	4.32%	45.43%
Dividend Yield (FWD)	A+	12.64%	4.82%	161.96%
Dividend Yield (FY2)	A+	12.64%	5.03%	151.03%
Net Long Debt/Assets (TTM)	D+	49.07%	42.30%	16.02%
P / AFFO (TTM)	A	6.80	14.56	-53.31%
P / AFFO (FWD)	A+	7.47	15.00	-50.17%
P / FFO (TTM)	A	5.37	12.68	-57.67%
P / FFO (FWD)	A	5.89	12.89	-54.32%

Bulls vs. Bears – Who to believe?

Bulls Say



MPW is swapping hands for 65 cents on the dollar with a double-digit yield of 12.7% that remains far above its 10-year average. [Read article](#)

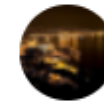


Medical Properties Trust, Inc. management is meeting its guidance and satisfactorily answering short report arguments. [Read article](#)



MPW buyers defended its double dip in May at critical support levels. The company's risk liquidity has been reduced significantly. Its valuation remains attractive. [Read article](#)

Bears Say



Medical Properties Trust does not have enough liquidity to cover upcoming debt maturities and is likely to be in a difficult financial position by the end of 2023. [Read article](#)



Questionable accounting, concentration risk, dividend at risk, macroeconomic risks, liquidity risks/refinancing risks along with other red flags. [Read article](#)



Excessive refinancing risk, dividend in doubt, too much hype. [Read article](#)

Source: Seeking Alpha
report June 16, 2023

Net Assessment – It's a Buy

- I have high confidence in MPW management
 - Very agile
 - They are taking actions rapidly to address challenges
- Shares are selling for 65% of NAV – seriously undervalued, oversold
 - Downside risks exist but low compared to upside potential
- Strong institutional ownership
- Insiders own 6.8% of shares – very high
- Brad Thomas (REIT Guru): Strong Buy recommendation

Hannon Armstrong Sustainable Infrastructure (HASI)

Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)

★ Following

👤 Visitors trend 2W ↑ 10W ↑ 9M ↑

Quote Lookup



NYSE - Nasdaq Real Time Price. Currency in USD

26.78 -0.36 (-1.33%)

As of 09:37AM EDT. Market open.

📄 Dividend HASI announced a cash dividend of 0.395 with an ex-date of Jul. 3, 2023

Summary Company Insights 👤 Chart Conversations Statistics Historical Data Profile Financials Analysis Options Holders Sustainability

Previous Close	27.14	Market Cap	2.902B
Open	28.42	Beta (5Y Monthly)	1.68
Bid	26.21 x 1100	PE Ratio (TTM)	134.00
Ask	27.73 x 1000	EPS (TTM)	0.20
Day's Range	26.50 - 26.80	Earnings Date	Aug 02, 2023 - Aug 07, 2023
52 Week Range	21.56 - 46.24	Forward Dividend & Yield	1.58 (5.82%)
Volume	11,581	Ex-Dividend Date	Jul 03, 2023
Avg. Volume	1,002,677	1y Target Est	40.00

Fair Value 👤 👤

XX.XX

-16% Est. Return

🔒 View details

Overvalued



Related Research 👤 👤

Daily - Vickers Top Insider Picks for 11/25/2022 The Vickers Top Insider...
7 months ago • Argus Research

🔒 View more

1D 5D 1M 6M YTD 1Y 5Y Max Full screen

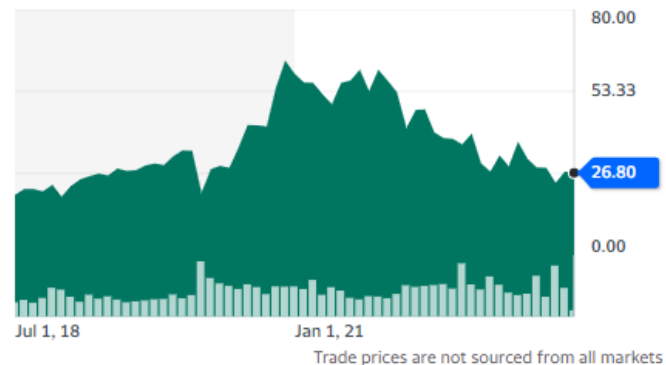


Chart Events 👤 👤

Bullish pattern detected

Slow Stochastic

🔒 View all chart patterns

Performance Outlook

Short Term 👤	Mid Term 👤	Long Term 👤
2W - 6W	6W - 9M	9M+

People Also Watch

Symbol	Last Price	Change	% Change
AY	23.82	-0.13	-0.54%
Atlantica Sustainable Infrastructure plc			
CWEN	29.58	-0.56	-1.86%
Clearway Energy, Inc.			
I AND	10.65	-0.03	-0.28%

All News Press Releases Research Reports 👤 SEC Filings

Profile: BDC or REIT?

- Hannon Armstrong Sustainable Infrastructure Capital, Inc. provides capital and services to the **energy efficiency, renewable energy, and other sustainable infrastructure** markets in the United States.
- The company's projects include building or facility that reduce energy usage or cost through the use of **solar generation and energy storage or energy efficiency improvements**, including heating, ventilation, and air conditioning systems (HVAC), as well as lighting, energy controls, roofs, windows, building shells, and/or combined heat and power systems.
- It also focuses in the areas of **grid connected projects** that deploy cleaner energy sources, such as solar and wind to generate power; and sustainable infrastructure projects, including **upgraded transmission or distribution systems**, water and storm water infrastructures, transportation fleet enhancements, renewable natural gas plants, and other projects.
- The company qualifies as a real estate investment trust for U.S. federal income tax purposes. It generally would not be subject to federal corporate income taxes if it **distributes at least 90% of its taxable income** to its stockholders. The company was founded in 1981 and is headquartered in Annapolis, Maryland.

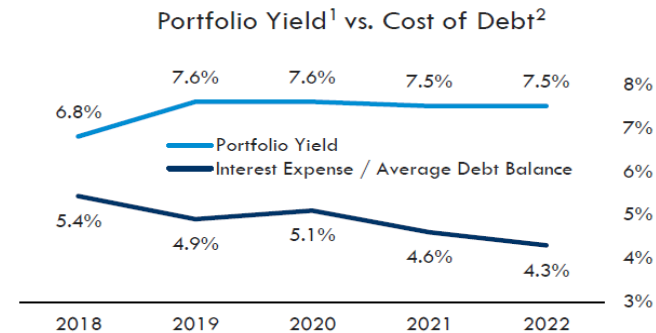
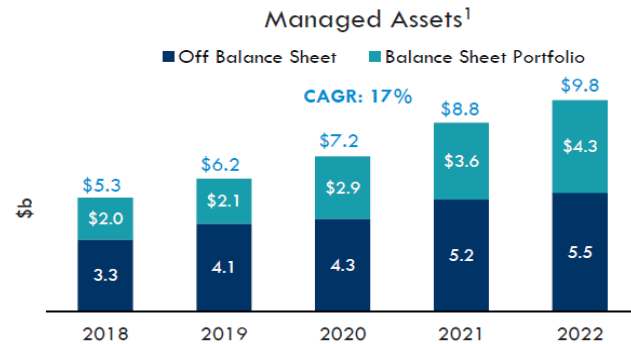
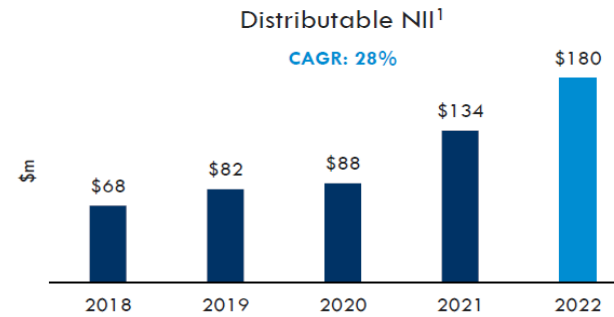
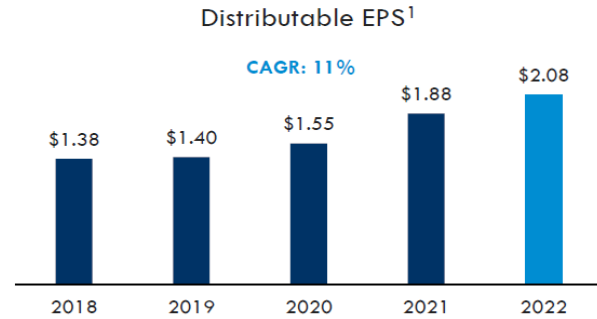
A Very Complex Business

- We are a climate positive (internally managed) investment firm that actively partners with clients to deploy real assets that **facilitate the energy transition.**
- With more than \$10 billion in managed assets, our vision is that every investment improves our climate future.
- **Our investments take many forms**, including equity, joint ventures, land ownership, lending, and other financing transactions.
- In addition to Net Investment Income from our portfolio, we also generate ongoing fees through gain-on-sale securitization transactions, **asset management, and other services.**

Source: SEC 10Q report,
May 5, 2023

Consistent Growth

LONG TERM CONSISTENT HIGH GROWTH IN NII AND MANAGED ASSETS



9

1) See Appendix for an explanation of Distributable Earnings, Distributable Net Investment Income, Managed Assets, and Portfolio Yield, including reconciliations to the relevant GAAP measures, where applicable.
 2) Excludes incremental interest expense related to debt prepayments

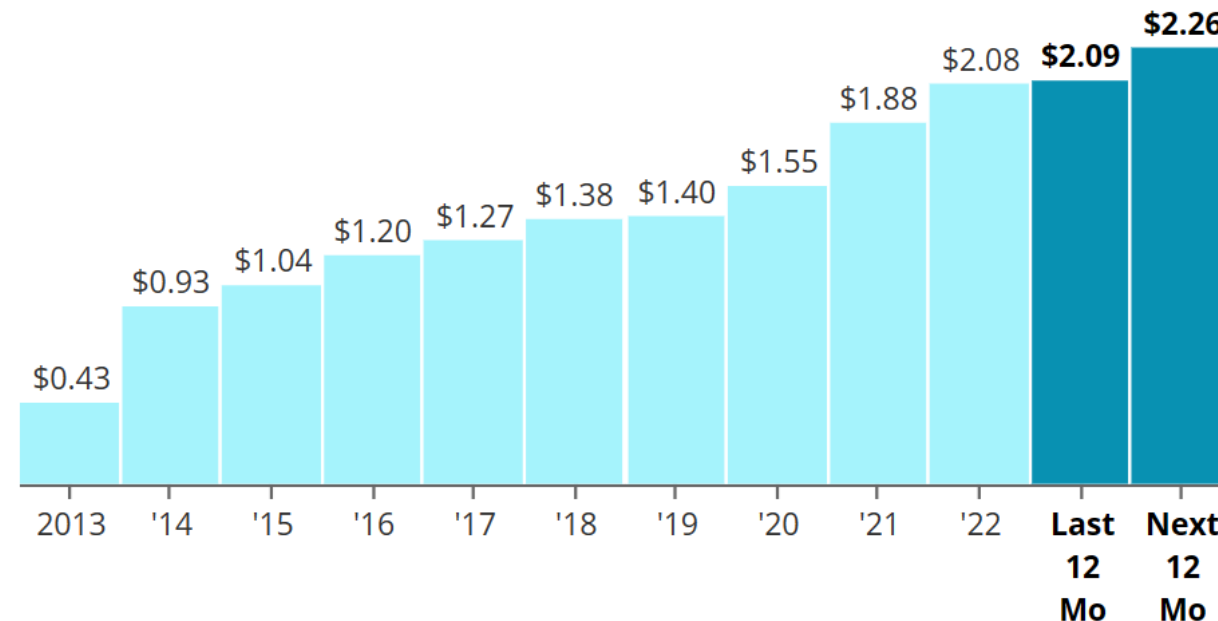


Source: HASI 2022 annual report

EPS Growth

Earnings Per Share

Net investment income per share represents a BDC's total investment income reduced by operating expenses such as financing costs and management fees. The best businesses will increase their earning power over time to fuel dividend growth.



Source: Simply Safe Dividends

Dividend borderline safe

HASI

Financials • Mortgage REITs

Hannon Armstrong

Dividend Yield

5.82%



Non-Qualified Dividends ?

Dividend Safety

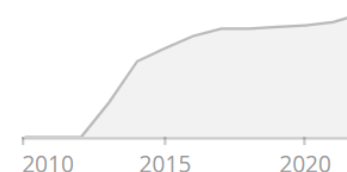
60

Borderline Safe

Dividend Growth

5.3% in Feb '23

Average



Price

\$27.14 ▼ 4.5%

Fri, Jun 16

Market Cap

\$2.84 billion

Mid Cap

Beta

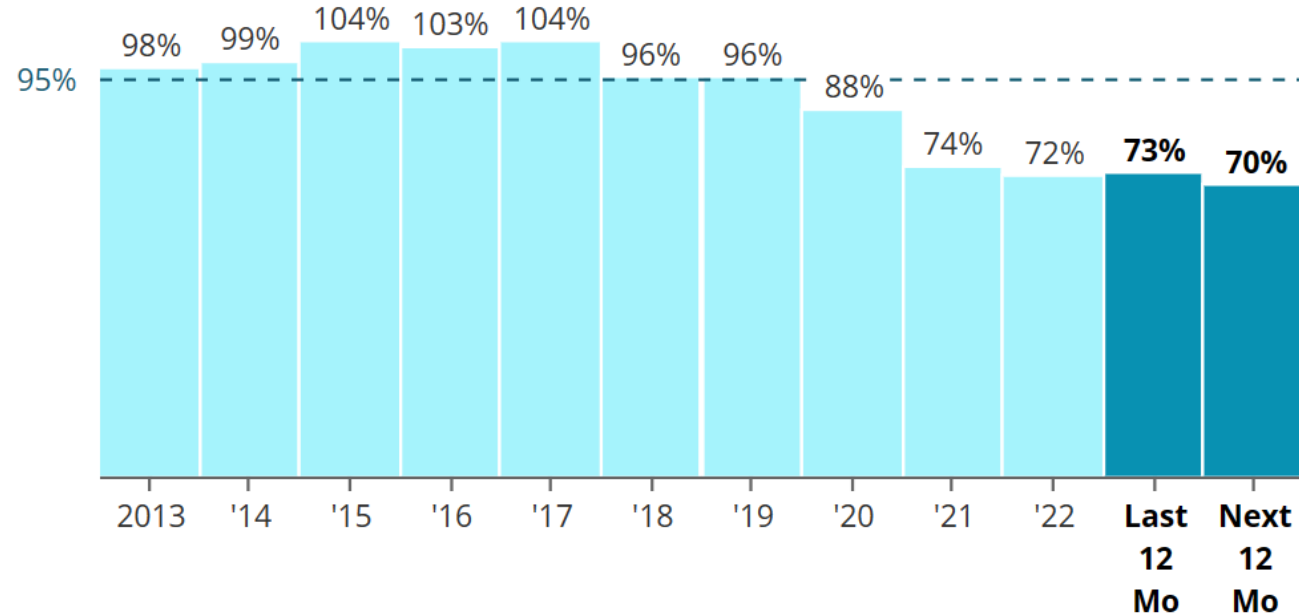
1.53

Very High

Payout Ratio = Funds paid out / Funds available

Earnings Payout Ratio

Percentage of net investment income paid out as a dividend. A rising payout ratio means the dividend is growing faster than earnings or that earnings are declining. A volatile payout ratio can indicate a less stable business. **Below 95% is our preference** for BDCs.



MACD: Buy alert at \$23



Net Assessment: Buy HASI

- Historically undervalued
- ESG-related business will benefit from Biden's IRA
- Solid management
- Consistent growth in earnings and dividends
- 6% dividend is reasonably safe
- Strong potential for price appreciation
- Short interest is high at 10%
- Insiders own only 2.6% of the stock; low, but they are buying more
- Institutions own 85% of HASI stock – very strong

Conclusion

**Will Rogers: “Invest in inflation. It’s the only thing going up.”
GLTA!**